

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Charter Township of Meridian, Economic Development Corporation</u>		County Ingham
Audit Date December 31, 2005	Opinion Date April 21, 2006		Date Accountant Report Submitted To State: June 1, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 1111 Michigan Avenue	City East Lansing	State Michigan	ZIP 48823-4050
Accountant Signature <i>Plante & Moran, PLLC</i>			

**The Economic Development Corporation of
the Charter Township of Meridian**
(a Component Unit of the
Charter Township of Meridian)

Financial Report
December 31, 2005

The Economic Development Corporation of the Charter Township of Meridian

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Independent Auditor's Report

To the Board of Directors
The Economic Development Corporation of
the Charter Township of Meridian

We have audited the accompanying basic financial statements of The Economic Development Corporation of the Charter Township of Meridian (a component unit of the Charter Township of Meridian) as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of The Economic Development Corporation of the Charter Township of Meridian's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Economic Development Corporation of the Charter Township of Meridian as of December 31, 2005 and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Plante & Moran, PLLC

April 21, 2006

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The Economic Development Corporation of the Charter Township of Meridian

Statement of Net Assets December 31, 2005

Assets

Cash (Note 3)	\$ 16,092
Investments (Note 3)	<u>93,894</u>

Net Assets - Unrestricted	<u>\$ 109,986</u>
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The Economic Development Corporation of the Charter Township of Meridian

Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2005

Operating Revenue - Issuer fees	\$ 10,000
Operating Expenses	
Administrative (Note 5)	10,000
Dues	175
Meetings and conferences	4,180
Professional services	<u>4,304</u>
Total operating expenses	<u>18,659</u>
Operating Loss	(8,659)
Nonoperating Revenue - Investment income	<u>2,209</u>
Decrease in Net Assets	(6,450)
Net Assets - Beginning of year	<u>116,436</u>
Net Assets - End of year	<u><u>\$ 109,986</u></u>

The Economic Development Corporation of the Charter Township of Meridian

Statement of Cash Flows Year Ended December 31, 2005

Cash Flows from Operating Activities

Issuer fees	\$ 10,000
Cash payments to suppliers for goods and services	<u>(20,259)</u>
Net cash used in operating activities	(10,259)

Cash Flows from Investing Activities

Interest received on investments	2,209
Purchase of investment securities	(94,931)
Proceeds from sale and maturities of investment securities	<u>102,738</u>
Net cash provided by investing activities	<u>10,016</u>

Net Decrease in Cash (243)

Cash - Beginning of year 16,335

Cash - End of year \$ 16,092

Reconciliation of Operating Loss to Net Cash from Operating Activities

Operating loss	\$ (8,659)
Adjustments to reconcile operating loss to net cash from operating activities - Decrease in accounts payable	<u>(1,600)</u>
Net cash used in operating activities	<u><u>\$ (10,259)</u></u>

The Economic Development Corporation of the Charter Township of Meridian

**Notes to Financial Statements
December 31, 2005**

Note 1 - Organization

The Economic Development Corporation of the Charter Township of Meridian (the "Corporation") is organized pursuant to the State of Michigan, Public Act 338 of 1974, as amended, and is a nonstock, nonprofit corporation. The primary purpose of the Corporation is to encourage and assist commercial enterprises to locate and expand facilities and services in the Charter Township of Meridian (the "Township") and to its residents. This purpose is accomplished by the Corporation aiding and assisting commercial enterprises in securing bond financing and applying for tax abatements. Its intent is to utilize its retained earnings for economic development activities. Members of the board of directors of the Corporation are appointed by the officers of the Corporation with the advice and consent of the Charter Township of Meridian Township board.

Note 2 - Summary of Significant Accounting Policies

The accounting policies of the Corporation conform to accounting principles generally accepted in the United States of America, as applicable to local governmental units. The following is a summary of the more significant policies:

Reporting Entity

The Economic Development Corporation of the Charter Township of Meridian is a component unit of the Charter Township of Meridian. Its financial statements are included in the Township's basic financial statements because the majority of the governing body is appointed by the Township.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenue and expenses are recognized in the account and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Corporation uses the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Issuer Fees - The Corporation has adopted a policy of charging application and service fees on projects that it has assisted in obtaining bond financing under Public Act 338. These fees are to help cover the Corporation's operating costs.

The Economic Development Corporation of the Charter Township of Meridian

**Notes to Financial Statements
December 31, 2005**

Note 2 - Summary of Significant Accounting Policies (Continued)

Services Provided by the Charter Township of Meridian - The Charter Township of Meridian has agreed to aid the Corporation in meeting the expense of its economic development activities by providing office space and utilities at no cost to the Corporation. The cost of these services and the value contributed by the Township is not reflected in these financial statements.

Note 3 - Cash and Investments

The cash and investments of the Corporation consist of bank deposits of \$109,986 at December 31, 2005. The deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$112,595, all of which was covered by federal depository insurance. The Corporation believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Corporation evaluates each financial institution with which it deposits Corporation funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 4 - Conduit Debt Obligations

From time to time, the Corporation issues Limited Obligation Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of commercial facilities deemed to be in the public interest. The bonds are secured by the property financed. The resulting debt of the developers is serviced directly by the financial institution. Neither the Corporation, Township, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The Economic Development Corporation of the Charter Township of Meridian

Notes to Financial Statements December 31, 2005

Note 4 - Conduit Debt Obligations (Continued)

The following information is provided solely for the Michigan Municipal Finance Commission as required under the provisions of Public Act 2 of 1968 and Public Act 202 of 1943, as amended. The Economic Development bonds consist of the following:

	Interest Rate	Date of Maturity	Amount of Annual Maturity	Principal Outstanding
Date of issue - June 29, 1989, amount of issue - \$4,000,000	9 5/8%	7-1-2013	Varying	\$ 1,120,000
Date of issue - June 6, 1996, amount of issue:				
\$17,460,000	Floating	7-1-2019	Varying	13,985,000
\$2,250,000	Floating	7-1-2019	Varying	<u>2,250,000</u>
Total				<u>\$ 17,355,000</u>

Note 5 - Related Party Transactions

The Corporation reimburses the Charter Township of Meridian for salaries and certain other direct expenses paid by the Township. Total amount of reimbursed expenses paid to the Township was \$10,000 for the year ended December 31, 2005.

Note 6 - Risk Management

Risk Management - The Corporation is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Corporation has purchased commercial insurance for medical benefits claims, and participates in the Michigan Municipal Liability and Property Pool (risk pool) for claims relating to property loss, torts, and errors and omissions; and participates in the Michigan Municipal Workers' Compensation Fund (risk pool) for claims relating to employee injuries (workers' compensation). Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Economic Development Corporation of the Charter Township of Meridian

**Notes to Financial Statements
December 31, 2005**

Note 6 - Risk Management (Continued)

The risk pool programs operate as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.